

Millennials: The Future is Now

How to position services to establish customer loyalty among Millennials

By J. Giere

To understand what the future holds for telecommunications service providers around the world, look no further than teenagers with iPod earbuds in their ears, cell phones in their pockets and laptops under their arms. While previous generations of consumers would be happy for content and applications to stay in their discreet environments (songs on iPods, voice on the phone and data on laptops) the new “Millennial” generation – generally speaking those born after 1980 – is insisting on two critical requirements to satisfy their hunger for new technology and their willingness to pay for it:

- Interoperability
- Integration

Unlike previous generations, Millennials do not take a passive approach to technology. They want to be able to add, subtract and change key elements of technology offerings and find new ways of using their tools to advance their personal and professional objectives. As a result, they expect their phones, music players and notebook PCs to share data and applications (interoperability), and they will reward any player in the market who helps them organize and manage their different technological investments from a centralized platform (integration).

This is a generation of natural-born technologists. They are willing to create their own mash-ups of services, and as a result are simply looking for someone to provide a venue or platform over which they can support their lifestyle. As a group, they are specifically interested in service providers that let them harness technology in a way that allows them to get their work completed quickly and access their entertainment in short segments. For this reason, Millennials are sometimes referred to as the “snack” generation for their desire to work and play in short intense segments.

Because of this, Millennials are a very different type of consumer. But this also makes them an exciting opportunity for service providers wishing (or needing) to move away from “minute-based” business models and toward more lucrative value-added services. Successful service providers of the future will ensure that they are in a position to shape, drive and monetize the future value of Millennial demands.

The Millennial Perspective

Millennials view consumer goods and services – especially technology products and telecommunications services – as commoditized means to an end. Brand loyalty, for this market, is barely a consideration.

According to a study conducted in the summer of 2007 by Survey U, the decision to purchase the much-hyped iPhone was influenced most by its performance (92%), price (93%) and ease of use (92%). Surprisingly, the Apple brand, according to respondents, was rated as the least important factor (47%).¹ Nonetheless, Millennials contributed to a significant portion of the demand for the iPhone. According to iSuppli, by September 4, 2007 “57% of iPhone purchasers were under 35.”

What these studies (and the general market success of the iPhone) seem to show is that Millennials want products that will simultaneously work with different media types (voice, data, video) and mediums (wired and wireless) to support their lifestyle and interactions with friends, family and co-workers.

So, what does all this mean for service providers?

¹ ©July 2007, iPhone Update, Survey U.

First of all, it strongly implies that future business success will depend on a service provider's ability to address the Millennials' lifestyle needs by delivering content, communication and applications anywhere, at any time, on any device.

At Alcatel-Lucent, we believe this "mash-up environment" of devices, communications capabilities and delivery options is giving rise to a rapidly growing market for what we are calling "blended lifestyle services." These services seamlessly combine elements of existing offerings with completely new, user-centric services. In short, we believe that it is imperative for service providers to rapidly create new business models that offer businesses and consumers highly personalized offerings in a highly profitable manner.

This is important because one thing we do know about Millennials is that when they find something they like, they broadcast their approval and that the power of their amplification is extensive. For instance, the Millennials surveyed maintain large IM and texting lists that average 37 people (compared to just 17 for the overall sample). As a result, when Millennials find a particular television show they like, a website they enjoy, or a device they covet, they tell an average of 18 people, compared to only 10 people for all other age groups.²

According to the survey, this digital-word-of-mouth is the most common reason cited by Millennials when they visit a website.

Millennials are the Future

Like the post-World War II Baby Boom generation that has influenced and shaped market and technology trends over the past 30 years, the Millennials' promise to wield incredible market power over the next 30 years. Alcatel-Lucent primary research defines the age group as consisting of people between the ages of 11 and 25. They number 55 million people in the United States; 51 million in Western Europe (France, Germany, Italy, Spain, UK) and 99 million in Asia (Japan, China, Korea).

But beyond their quantity, the quality of Millennial demand is fundamentally different from previous generations, and is a direct result of how their formative years have defined their perception of the world and their role in it. This group has experienced:

- **The emergence of the global culture and 24/7 economy**, made possible by the Internet and digital technology that allowed them to research school projects using a global library of virtual knowledge sites as their information sources.
- **More structured and scheduled social lives**, with a host of pre-arranged activities, both in the real world and online.
- **A shift in focus from individualism to family and community**, as social and family interaction become more virtual, viral and "hyper-connected."
- **Greater access to broadband connections** as well as technology that enables global, instantaneous and spontaneous communications.

Millennials: A Major Influencer of Broad Purchase Decisions

These key experiences have changed how Millennials view their relationships with friends and family. They stay connected spontaneously and instantaneously with family, friends and colleagues by whatever means available: basic voice service, phone-based text and Internet instant messaging, and e-mail services at home, school and work. The business opportunity is to provide each of these individuals a unique communications package that attracts their purchase loyalty as well as the purchase loyalty of family and friends who are in their sphere of influence when it comes to the adoption of new communication services.

Their social networks have expanded to include friends and colleagues across the street and around the world with whom they want to interact to share personal and business communications on an on-demand basis.

² ©2007, *State of the Media Democracy Survey*, Deloitte

Moreover, as we anticipate the bandwidth-hungry world of 4G networks, it is important to note Millennials' passion for user-generated content and remote multiplayer gaming, and their willingness to broadcast what they think or like. According to a separate study by Deloitte, 62% of Millennials and 41% of Xers watch YouTube or other video streaming sites, and 46% of Millennials embrace their cell phones as an entertainment device.³

Millennials: Creating their Own Content and Buzz

Millennials significantly influence the adoption of new services. For example, they keep tabs on the world around them by getting the news and information they want whenever they want it and wherever they want it, rather than being tied to a publisher's or broadcaster's schedule. According to Comscore, in May 2007, nearly 75% of U.S. Internet users watched an average of 158 minutes of online video during the month.⁴

Furthermore, Millennials are increasingly becoming personal content publishers themselves and consumers of the personal content published by others.

This new generation of consumer turns to online sources for information, and uses online venues to share viewpoints on news, products and services through social networks that operate independently and outside of "company-sanctioned" sites. This web "word-of-mouth" can make or break a product or service within days of it being introduced in the market. Indeed, it has created a whole new marketing category, referred to as "buzz marketing." If contributors have bad experiences, they are not shy about reporting them to their network to make sure others don't have the same experiences. Likewise, a good experience is quickly relayed so that everyone can benefit.

As a result, Millennial reliance on online information and networks is driving growing demand for web-based communities and the hosted services that facilitate collaboration and information-sharing among users.

Tapping into the Millennial Market

Millennials want communications experiences that are richer, portable and integrated. They want to download and play songs and videos, send text messages, conference with colleagues and friends and exchange pictures or videos on whichever device they are using. And they don't want to be tied to any one location to do it.

For Millennials, services and applications must:

- Facilitate their connectivity and ability to share information seamlessly.
- Provide clear pricing for each element of the lifestyle "package," with an underlying presumption that basic service is either flat-rate or – in the case of the Web – free.
- Facilitate their ability to preserve a work/life balance, and thus enable them to control and prioritize their work and off-work time management.
- Give them the freedom to work from anywhere and at anytime.
- Allow them to get their work completed quickly and access their entertainment in short segments.

In short, Millennials expect converged telecommunications services to be a component of every type of personal and business communications experience.

Millennials Provide a Great Source of New Revenue

Alcatel-Lucent's primary research confirms that end users in these groups have a strong interest in blended, user-centric services. But service providers need both the interest and the end users' willingness to pay to enable the service provider to achieve a return on their investment for the development and delivery of these new blended services. The good news is that the research also shows that Millennials are willing to pay more for blended services in all the countries surveyed.

³ ©2007, *Are you ready for the future of media?*, Deloitte

⁴ ©July 17, 2007, Comscore press release.

The total opportunity for providers of these services in the researched Western European countries of France, Germany, Italy, Spain and the UK is a projected revenue of US\$2.8 billion per year by 2011, supported by 2.1 million subscribers. Similar results were found for users in North America and Asia, where revenue projection is estimated at \$1.1 billion and \$6.1 billion respectively by 2011 (Asia research conducted in China, Japan and Korea). (Table 1)

Table 1: Millennial market for blended services by 2011

Region	Subscriber base	Revenue (cumulative)
North America (US and Canada)	1.5 million	\$1.1 billion
Western Europe (France, Germany, Italy, Spain, UK)	2.1 million	\$2.8 billion
Asia-Pacific (Japan, Korea, top 12 markets in China)	5.1 million	\$6.1 billion

Source: End-user Demand for Blended Services, Alcatel-Lucent Market Research, Q2 2007

Worldwide, Alcatel-Lucent primary research shows that the total addressable market in these countries could reach more than 200 million people and represent more than US\$10 billion by 2011.

With the right network and service delivery environment in place, service providers can enable and deliver the personal, blended service solutions that address the needs of Millennials. This requires a network and service infrastructure that can support and blend end-to-end Triple Play services and deliver high-performance video and gaming, high-speed data and voice offerings over fixed and mobile infrastructures, with a high level of service reliability and seamless transparency across devices and networks, enabling service innovation and operational agility.

Conclusion

Service providers who do not pay attention to the new demand patterns presented by Millennials do so at their own peril.

- Millennials are a force to be reckoned with because of both their huge numbers and the nature of the new services that they are demanding. This generation of consumers (and future workers) expects service providers to adapt technology and services to their needs, not the other way around.
- Millennials want their telecommunications services to be highly personalized and flexible. They want to be able to create, mix and match content, content types and applications.
- Service providers that expect to be successful in attracting Millennial demand will have to manage significant change in both their technology infrastructure and their business models.

In short, Millennials will redefine what it means to be a service provider, and what information and communications technology will be called upon to meet their wants and needs. This is a segment of the market that Alcatel-Lucent is studying very carefully. We are working with our service provider clients and partners to continue to amass information that will advance our understanding of this emerging demographic segment of the market. Through our constant focus on and analysis of this dynamic, critical group, we are developing a new generation of blended communications services that will account for the lion's share of revenue generated by the communications industry by the end of the decade. ●

John Giere
CMO, Alcatel-Lucent

Alcatel-Lucent Worldwide Lab Taps into Millennial Mindset

Alcatel-Lucent has an extensive database of blended lifestyle market research data from around the world collected over the last three-plus years. Additionally, Alcatel-Lucent continually acquires insight into how Millennials perceive mobile services through the work of the Alcatel-Lucent Worldwide Lab.

Established in the spring of 2006, the lab conducts qualitative research, which is not intended to provide results that can predict behavior (like an election poll). Rather, it provides insights into useful trends that set the stage for doing additional research like focus groups or deep quantitative research.

Members of the lab are drawn from our customers' and executives' children. They are Millennials who are also early adopters, to whom their friends look for advice on new products and services.

Research conducted by the lab helps Alcatel-Lucent:

- Learn about the user experience from the end user's point of view
- Help operators create better services
- Generate ideas to help build better products